



**BOS WEALTH
MANAGEMENT**

A subsidiary of Bank of Singapore

BOSWM ASIAN INCOME FUND

QUARTERLY REPORT
For the financial period from
1 January 2021 to 30 September 2021

CONTENTS

Fund Information	2
Fund Performance	3
Market And Fund Review	
Fund Returns	
Asset Allocation	
Income Distribution	
Financial Statements	
Unaudited Statement Of Financial Position	22
Unaudited Statement Of Comprehensive Income	24

FUND INFORMATION

As At 30 September 2021

Name Of Fund (Feeder)	: BOSWM Asian Income Fund
Manager Of Fund	: BOS Wealth Management Malaysia Berhad 199501006861 (336059-U)
Name Of Target Fund	: Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund
Investment Manager Of Target Fund	: Lion Global Investors Limited (198601745D) (formerly known as Lion Capital Management Limited)
Sub-Investment Manager Of Target Fund	: Bank of Singapore Limited (197700866R)
Launch Date	: Class MYR – 12 January 2017 Class MYR BOS – 12 September 2019 Class USD BOS – 12 September 2019 The Fund will continue its operations until terminated as provided under Part 11 of the Deed.
Category Of Fund	: Mixed assets – feeder fund (wholesale)
Type Of Fund	: Growth and income [□]
Investment Objective	: BOSWM Asian Income Fund aims to provide capital growth and income [□] in the medium* to long term* by investing in the Target Fund – Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund. [□] Income is in reference to the Fund's distribution, which will be in the form of cash or units. [*] Medium term is defined as a period of one to three years, and long term is a period of more than three years.
Performance Benchmark	: From 1 March 2021 onwards: Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund Prior to 1 March 2021 – Composite Benchmark: 50% JP Morgan Asia Credit Composite Total Return Index 50% MSCI Far East ex Japan Index
Distribution Policy	: Subject to the availability of income, distribution of income will be on a quarterly basis.
Fund Size	: 18.86 million units

FUND PERFORMANCE**For The Financial Period From 1 January 2021 To 30 September 2021****Market And Fund Review***Review Of The Lion Capital Funds II – Lion-Bank Of Singapore Asian Income Fund
(Target Fund Of BOSWM Asian Income Fund)*January 2021

Market overview:

Asia markets initially started off very strongly before erasing some of the gains to a more palatable positive month. Big swings in prices were seen in some of the largest companies in Asia. The large price performance and strong economic rebound attracted China's Central Bank to promptly withdraw liquidity in the market and warned that the stock frenzy is leading to a bubble. The People's Bank of China withdrew a total of 78 billion yuen or USD\$12 billion via open market operations. The Authorities will continue to monitor the situation and prevent any overheating in the economy. The inflation rates are still very low and not an issue for now.

On the economic front, Asian Exports continue to grow and China's industrial profits for December 2020 was up 20.1% year-on-year, external demand pushed China's exports up by 18% in December 2020. China is now out of recession, recording 4th quarter Gross Domestic Product growth of 6.5% bringing the whole year to a positive 2.3%. Not everything is rosy as retail sales fell -3.9% on a year-to-date. North Asia as a whole is doing better than South East Asia. With the economic rebound and low interest rates, we are seeing strong demand for property in China and Singapore, pushing up the prices. South East Asia has not been able to control the COVID-19 outbreak as well and the numbers are still going up. Malaysia has extended its Movement Control Order as the number of new cases were still on the rise. New cases in Indonesia brought the total infection numbers to just above 1 million.

As vaccinations are rolled out globally, the expectation of a return to normalcy has taken even deeper roots. The path will not be easy but there is good reason for being positive. Asia still offers one of the best investments globally, COVID-19 has allowed Asia to take the lead both economically and also politically. Controlling the spread of COVID-19 has allowed manufacturing to get back online. China is one of the few major economies in the world whose factories are able to start running at full capacity and as such, demand has been coming from all over the world.

We are constructive on the equity markets as Asia leads in organic growth. The approval for the next fiscal stimulus under the new administration in the US will continue to be positive for risk assets. We will have overweight equities with about 53% weight, cash has 3% weight and the remainder as fixed income.

January 2021 ushered a sharp rise in long-end US rates and aggressive US yield curve as markets steeped up expectation of a large fiscal rescue package from the Biden administration and a Democrat-controlled US Congress. Credit spread tightened but was not enough to offset the increase in rates and the JPMorgan Asia Credit Index generated flat returns. Most sectors were flat except for higher beta Sovereign debt like Sri Lanka and Pakistan.

Towards the end of the month, trading sentiment weakened as market digested the heavy supply pipeline. There were more news headlines on the tightening liquidity and funding situation in the Chinese onshore market. There were also increasing occurrences of debt default/restructuring. While we do not see a systemic problem, sentiment overall has turned negative and we will remain cautious with the portfolio.

Portfolio asset allocation:

The Fund allocation is 51.2% in equities, 44.0% in fixed income and the balance 4.8% in cash.

Portfolio update:

In the Fund, we stopped writing call options as the markets remained too strong. We have reiterated that the premium for writing is not enough to compensate for some of the stronger performance we have seen in a while. We would rather retain the upside for now and will start writing again once we see some potential easing of stock price action.

February 2021

Market overview:

Asian equity markets started strongly in February 2021 on the back of expected continued growth and recovery. Markets were being bid up. By the middle of the month, there were some concerns of potential inflation and the US 10-year Treasury yield started moving up. The expectation of a recovery and subsequent inflation started to worry investors. Long end rates were moving higher and this caused increased volatility in the equity markets. Asian equities were not spared. By the 3rd week of February 2021, markets were selling off and at times the selling pressure was high, especially in technology names. Those that performed well last were sold down most. However, growth and long-term recovery in Asia remains intact. Controlling COVID-19 and the ongoing vaccine rollout added some positivity that will likely support markets.

The move in the 10-year US Treasury yield from 0.9% at the start of the year to 1.3%, which is about a third of its level, has come alongside an increase in inflation expectations. But the Federal Reserve is now prepared to remain very accommodative through what is likely to be a temporary spike in inflation in mid-2021 (due to base effects) with their primary focus on resuscitating the still very weak labor market.

Policies and budgets were some of the focus in Asia. China announced a new land bidding policy which seems to favour the larger developers and pushed the larger developers' prices up. Hong Kong and Singapore announced their budget for 2021 which were mostly pro-growth and more focused in supporting sectors that continue to struggle as a result of the pandemic. Hong Kong's Budget placed key emphasis on local consumption and tourism. In addition to conventional relief measures, such as, tax rebates and fee waivers, Hong Kong's permanent residents will receive HK\$5,000 of consumption vouchers and is estimated to amount to HK\$36 billion or 1.3% of Gross Domestic Product.

Chinese exports continue to grow strongly and reached 60% year-on-year for the month of February 2021. There was a low base effect as February 2020 was the start of the pandemic. It is still a good growth rate as most economists expected a growth of 40%. What was more telling was the import growth of 22% versus expected growth of 16% which suggests a stronger domestic economy.

The benign reflation trade turned a little more threatening in the last week of February 2021 when a poor outcome of a 7 year in auction triggered a spike in volatility in US interest rates resulting in higher yields across the curve but led by the belly. Credit spread is trading water as investors remain wary of higher base rates and there is a clear avoidance of duration in the market.

In High Yield space, with negative developments relating to China Fortune Land and the default of Chinese's local government financing vehicle, credit differentiation between the good and the bad has become more marked.

Portfolio asset allocation:

The Fund allocation is 51.6% in equities, 45.4% in fixed income and the balance 3.0% in cash.

Portfolio update:

In the Fund, we did not write any call options and there are no outstanding options. We are still slightly overweight on equity at 51.6%. We remain constructive of Asian equities and Asia will continue to attract investments. We expect sentiment to stay cautious and the gap to continue to widen. The Fund continues to stay short duration and selective with credit exposure.

March 2021

Market overview:

Asian market correction continued in March 2021 led by the Chinese stock markets as it reacted to a slew of information. Overvaluation of over owned stocks in the technology sectors were the leading reasons for the selloff. US Biden's administration first meeting with the Chinese in Alaska resulted in little progress and only showed how deep the gulf of differences can be. China's stock market is showing the world what happens when central banks and governments start exiting pandemic-era stimulus. But not all Asian markets were running in the red. Singapore has lagged most in 2020 but is now one of the best performing stock markets. Economic data continue to be strong with the latest Chinese home prices growing at one of the fastest pace in the month of February 2021. Asia continues to be an attractive region for investors, with the recent pull back, valuations are now more appealing. As such, we remain constructive and remain invested to take advantage of Asian Growth for the future.

US again threatened to delist the big Chinese names on the US bourses. The Securities Exchange Commission reiterated accountancy standards to be met, delisting being the penalty for non-compliance. Adding to the big tech woes, domestically, China is also moving ahead to regulate big technology companies whose influence has grown tremendously. China established a new joint venture with local companies to oversee the lucrative data that have been collected by hundreds of millions of people. The initiative is led by the People's Bank of China. All this led to the weakening stock market, especially in the technology companies that were the darling of 2020.

On a brighter note, the region is seeing some semblance of normality as economies start to open up, allowing more people to go back to work. Singapore announced relaxation of workplace measures such that more people can return to their offices. Perhaps even more telling is the increase in the number of people allowed for live performances, conferences and sports events to 750 attendees. With vaccination taking hold, the various governments are starting to allow more activities that will be positive to the economy as a whole. We still expect increased number of Initial Public Offerings as names like Baidu and Bilibili seek dual listing on the Hong Kong Exchange. Most investment bankers continue to work overtime to meet deadlines.

The end of March 2021 closes the first quarter of 2021 where Asian Investment Grade (IG) credits experienced the worst first quarter in a decade. Credit risk premium has continued to decline but this was insufficient to compensate for the rapid rise in Treasury yields. In general, the markets felt lackluster and performances of new issues in March 2021 continued to be mixed.

Portfolio asset allocation:

The Fund allocation is 52.2% in equities, 44.1% in fixed income and the balance 3.7% in cash.

Portfolio update:

As the Asian markets started to correct, we started to write call options again. But we met with some difficulties as option pricing model and actual pricing that counter parties were willing to accept was quite different. The pricing could be as wide as 30% difference. Despite many attempts, we only managed to write one call option whose pricing was not too far from the fair value at the time of strike. We will continue to look for opportunities to enhance yields.

Price dynamics in Asia stock markets historically tends to be more volatile, giving heart burns to some investors as the prices of some stocks get sold off. But the exact same price dynamics offers many investment opportunities. Not panicking during the sell off and picking up good quality stocks can work in the longer term. As such, we remain positive and have been building up the portfolios to include more industrials and real estate exposure. We have also looked into alternative energy and have positions in Solar, Wind and Electric Vehicles. These are our long term investments as we continue to envisage a carbon neutral world. The attempts to achieve this will take some time but there will be winners and losers as well. Giving us a new perspective to remain invested for the longer term.

We expect US treasury yield increases to slow from here and relative returns for IG credits should improve. High yield credit curves are steep (with bonds of long duration having fallen more) and may present opportunities but the Fund will be very selective as the overall low yield environment affords little cushion for credit events.

April 2021

Market overview:

After a slightly higher volatile first quarter of 2021, Asian markets manage to come up positive for the month of April 2021. Result seasons started in earnest and most were in-line or better than expected, leading to better price reactions in the market. On top of that, North Asian economic growth continue to remain strong, led by China which registered a record 18.3% Gross Domestic Product (GDP) growth for the first quarter 2021 versus the same period last year, 2020. The numbers were of course skewed by the fact first quarter 2020 was the time China started to shut down to curb the first sign of the COVID-19 outbreak. On a quarterly basis, the growth was more sedate with 0.6% increase versus the last quarter. China has already slowed its fiscal and monetary stimulus as the economic rebound took roots. Most telling is the strong industrial output and export numbers that were generated by a pandemic fueled demand for medical and electronic devices from Asia and mostly made in China. China is also a beneficiary of the US economic stimulus. The Chinese government can now focus on reducing the build-up of excessive risk and debt levels. We have already seen the three red lines introduced for the Real estate sector on various debt ratios property companies must maintain. On top of that, concerns on anti-trust measures on big tech companies in China continue to weigh on the share prices. Meituan and Tencent Holdings Ltd are the latest companies the regulators are looking into while up to a total of 30 other companies will come under scrutiny.

Across the straits is the island of Taiwan is also benefiting from the technology demand globally. Housing Taiwan semiconductor and other technology export companies, the country is in a sweet spot of increasing demand and shortage of supplies. The country is also benefitting from the US stimulus as up to 60% of Taiwan Semiconductor Manufacturing Co Ltd (TSMC) revenues are from the US. Global demand for semiconductors and electronic components has fueled the country's exports numbers and help bolster its GDP growth. Singapore is also opening up even more and this should be good for the domestic economy. But a resurgent of COVID-19 within the community may lead to some concerns. Overall the market has been one of the best performing in the world. Still emerging Asia is still struggling with COVID-19 with economic data not improving.

April 2021 was marked by consolidation in US treasury yields which left the coast clear for the reach for yield momentum to continue. High yield benefitted from this and spread tightened versus widening in Investment Grade (IG). Midmonth, sentiment turned jittery after Huarong, China's largest asset management company, delayed filing its financial statements and rumours circulated of potential restructuring. Doubts surfaced on whether the company would receive state support to pay off its liabilities. China credits underperformed marginally as skittish investors shunned China IG bonds.

Portfolio asset allocation:

The Fund allocation is 53.2% in equities, 42.8% in fixed income and the balance 4.0% in cash.

Portfolio update:

For the Fund we have started to write call options again. Although it has taken some time to get better pricing. We have now 3 outstanding call options that we are balancing between having higher capital gains versus capping it with writing call options.

The Fund is still overweight equities with the bulk of the investments into North Asia including China. We have overweight Singapore as the country continues to open up and its stock market is performing better. Singapore also continues to attract foreign investment with major Chinese technology companies setting up or increasing their presence. The country experienced a jump in the number of Family offices set ups. The Fund is also overweight Real estate as we continue to see big demands for housing and increasing logistic demand from trades and delivery.

We are positive on Asia, especially in North Asia where economic growth is getting better. While there are bumps along the way, we see Asia continuing to dominate the world stage as it recovers faster than most. The 'Huarong saga' caused a very brief seize up in the new issues market but the plentiful liquidity in the markets ensured that market participants went back to chasing yield once it became clear Huarong was not in imminent danger of defaulting.

We continue to expect higher US treasury yields by the end of the year. As such, we prefer to stay short in duration but given that credit curves have steepened somewhat, we see some relative value in longer duration bonds. We will remain conservative with name selection.

May 2021**Market overview:**

COVID-19 resurgent in various Asian countries resulted in higher market volatility for the month of May 2021. What was worrying were the upsurge in cases in Taiwan and Singapore which had controlled the pandemic well. Low level of vaccination rate are now taking a toll on the economy and reversing what was a well-controlled pandemic. Taiwan's equity market briefly fell over 10% in the first two weeks before regaining some ground. Singapore suffered resurgence of COVID-19 and it's from the new variant that seems to be more virulent. The government promptly announced a semi lock down where "work from home" is the default. Hospitality sectors continue to suffer and some F&B outlets started to close down for good.

Still, Asia economic activities for May 2021 continued to advance, despite this flare up. Taiwan's May 2021 Purchasing Managers Index (PMI) declined slightly to 62 from 62.4, which remained very strong, signaling continued expansion in new orders. South Korea experience similar dip in PMI, but remain well above 50 at 53.7. In China, the official PMI index slowed slightly to 51 while the non-manufacturing gauge that measures construction and service sector activity climbed to 55.2.

Exports continue to be strong with South Korea reporting a surge in May 2021. Exports increased 45.6% year-on-year. Exports to China rose to 22.7% and semiconductor shipments increased 24.5% in May 2021. Global trade continues to expand. With the developed world opening up, demand for electronics continue to be strong, keeping factories busy. The shortage of parts and materials globally has led to increased fears of inflation. Supply side constrain should be transitory in the near term. Still there are economies that continue to struggle. Malaysia is headed to a full shut down with COVID-19 cases increasing unabated.

In the rest of Asia, Chief trade negotiators for China and US met for the first time since the US elections, signaling some form of coordinated effort in improving ties. China's big tech companies are now forced to invest heavily into existing and new avenues of business after Chinese government curtailed the lucrative fintech and e-commerce business. Large investments have been announced in areas like cloud computing, autonomous driving and artificial intelligence.

Most Asian countries are now concentrating on getting their populations vaccinated as soon as possible. Ramping up the drive, China again is leading the way with up to nearly 20,000 doses a day. We already have reasons to remain constructive. In the developed world where vaccination rates are higher, we can see how the countries and cities are now opening up. Things are beginning to look "normal", even not having to wear masks. It's a matter of time that Asia will head that way. Especially for the more developed countries.

Two big economic surprises in May 2021 came from Non-Farm Payroll and Consumer Price Index (CPI). In terms of impact on the markets, the data more or less cancelled out each other. The miss in Non-Farm Payroll was arguably, the more significant outlier. While the large positive surprise in CPI could be branded as transitory, any further downside surprises in future payroll reports would likely postpone any announcement of tapering.

Portfolio asset allocation:

The Fund allocation is 52.2% in equities, 44.1% in fixed income and the balance 3.7% in cash.

Portfolio update:

For the Fund, we remain overweight equities and constructive in the region. The market correction since February 2021 this year has made Asian equities even more attractive in terms of valuation. We have also continued to look at writing call options. Currently, we still have 3 open call options. With further stimulus from the impending infrastructure expenditure in the US, Asia will be one of the beneficiaries as demand will drive Asian supply. We remain overweight in Singapore as a country and overweight real estate, the recovery is in place and these are the areas that will benefit.

JACI Index generated a total return of 0.48% in May 2021. Spreads widened while treasury yields were lower. Investment Grade (IG) spreads widened by 3 basis points (bps) while High Yield (HY) spreads tightened by 4bps. While most regions performed more or less in-line with the benchmark, China underperformed marginally more as investor skittishness lingered in the Chinese complex as a result of the Huarong saga.

With US and European central banks set to start "taper talks" in the coming months, we continue to believe that carry will be the dominant form of returns for the rest of the year and for now continue to think HY credits would prove initially to be more resilient to "taper talks" compared to IG credits.

June 2021

Market overview:

Asian markets managed to flatten out in the month of June 2021. Underlying stock performance continue to be divergent with some big Tech names rebounding from the recent sell offs. Singapore and Taiwan markets continue to improve post the latest COVID-19 resurgences. Singapore is now going the way of treating COVID-19 as endemic and living with it. What has changed has been the drive to improve vaccination rates. Emerging Asia also saw a resurgence that is impacting the country negatively. Malaysia is extending the Movement Control Order (MCO) and Indonesia implementing another round of lock downs. All these will continue to dampen its economy.

Latest economic numbers are still encouraging especially compared to the unusually low base effect year which is ending. Industrial output for China was up 36.4% in May 2021 (Source: Bloomberg, 27 June 2021). Profitability continues to climb. As a result, economic expansion for China is more balanced. As China celebrates 100 years of China Communist party, we should expect some positive rhetoric. China's governmental controls on the big Technology companies continue to drag on the share price. The view is for long term sustainability of big technological companies versus short term profiteering that could hurt the country in the future. It is clear that China is still driving ahead with its domestic consumption, innovation and value creation. The structure transition will enhance a tech-enabled population to emerge.

Singapore continues to attract foreign direct investments. The latest of which is the announcement of Global Foundries Inc building a USD4 billion chip making plant. We are looking for some success in controlling COVID-19 as the country ramps up on vaccination. We expect some form of normalization soon where working in office will return, if not at least at half of the strength at first. The country expects at least 66.6% fully vaccinated by National Day, which is 9 August 2021.

There are pockets of countries trying to open or help drive up economic activities. The latest being Thailand's resort island, Phuket. Thailand is allowing tourist who are vaccinated to visit Phuket, jump start economic activity in the tourist spot, while sand boxing the activity to the island. This test may be the backdrop on how a country may open up slowly. Unfortunately, the rest of Emerging Asia is still struggling to contain the spread. The new Delta strain is the most concerning. New infection rates are still climbing in some countries with the government imposing complete or selected lock downs to combat the spread.

JP Morgan Asia Credit Index (JACI) generated a total return of 0.43% in June 2021. Index Spreads widened while treasury yields were lower. Investment Grade spreads tightened by 4.6 basis points (bps) while High Yield (HY) spreads widened by 38bps. Indonesia and Malaysia outperformed despite worsening COVID-19 situation while the main drag on HY was Chinese property names. Increased regulatory scrutiny on the banking relationship between Evergrande and its 38% owned Shengjing Bank led other banks to curtail lending to Evergrande. The negative sentiment spilled over into other leveraged Chinese property names and dragged the whole sector down by 1.8%. Sri Lankan bonds also underperformed but it was hard to put an immediate catalyst for the selloff. The usual suspects of difficulties refinancing and rumours about difficulties at Ceylon Petroleum Corporation, the national oil and gas company, were cited as reasons.

Portfolio asset allocation:

The Fund allocation is 52.3% in equities, 44.9% in fixed income and the balance 2.7% in cash.

Portfolio update:

Still, we remain constructive of the Region. Economic activity remained strong with good export numbers. North Asia is still doing much better. Again reiterated that it is a matter of time for the roll out of vaccination rate amongst the countries. Valuations in Asia are also now more appealing, having lagged behind the developed world. In the Fund, we continue to overweight Singapore and underweight emerging Asia. We also continue to overweight Real estate and are slightly overweight on Financials. We have been building up on our healthcare positions and adding to pharmaceuticals. Living with COVID-19 will probably result in annual booster shots, very much like our flu jabs we take every year. We only have 2 call options at the moment after one expired this month.

June 2021 has seen a significant decompression in credit spread for the HY sector with the credit tightening measures imposed onshore in China as the dominating theme. At the same time, there has been very limited issuance out of the other Asian countries. The macro picture appears stable but underlying this, are many credit stories unfolding. There is now a very sharp bifurcation in credit premium between the good sought-after names and the less-favoured issuers. This is likely to be a continuous theme for the rest of the year. The Fund will remain conservative.

July 2021

Market overview:

Increased regulatory concerns in China have led to a sell-off in the equity market. The recent being the tough imposition of new rules for the Educational Technology companies. They are now subject to reforms that have fundamentally and structurally change the way the companies do business. We do not own any Education stocks. Further controls on property and big technology companies only created deep uncertainty in the market. China tried to calm the markets by reaffirming their objectives of protecting online data security and social welfare rather than stopping the business. Asian markets had one of their worst months before finding some stability. Investors in some of the largest and most vibrant companies were caught in China's objective of reigning in private companies that have grown too big in both size and influence. The China government is trying to address the inequality and potential misuse of big data, accepting short-term pain for a longer-term goal of sustainable growth and stability. The result was a stunning risk off sell down of some of the world's largest and fastest growing companies. Unsure of further regulatory hurdles, investors decided to exit first. China's aim to increase long term domestic consumption will still need to depend on big technology and e-commerce to drive the country to the next level. There will be a point where support has to continue to reach these goals. The cost of compliance will go up, profit margins will be trimmed, growth may slow down, but in the end, it's a sector that is still in one of the fastest growing regions in the world.

Other than China, emerging Asia is still struggling with managing COVID-19 and the new variant that is spreading fast. These economies have had its worst with the lack of vaccination and logistic nightmare in rolling out vaccines. Still it should be a matter of time that vaccination rates should start to take hold. Already in countries like Singapore, has ramped up its vaccination programs with success.

The northern economies are still doing well, where exports are growing. We continue to see good economic data being released. Company results are also much better. Bellwether companies like Samsung and Taiwan Semiconductor Manufacturing Company (TSMC) has continued to generate better than expected results. Asian government expenditure has also been one of the lowest during the pandemic last year, which means if the region starts to slow down the governments should still be able to increase spending to help support the economy. The exception is Singapore but the country has ample reserves.

We expect growth to moderate to a more sustainable level. We remain constructive as the region still remains one of the fastest growing in the world and valuations are now more attractive.

In the Fund, we have been trimming some equities and bringing down our overall exposure. We are already invested into stocks that will benefit from the tailwind of China policy of being carbon neutral. We have exposure to wind, solar, future electric vehicle and autonomous driving. We are also overweight in Singapore and remain invested into semi-conductors, which is enjoying some amount of high demand for now.

The markets are volatile but the future for Asia remains bright. Vaccination should improve. Exports will continue to be strong if at a slower rate of growth. The sheer demographics of South East Asia should bode well into the future.

Portfolio asset allocation:

The Fund allocation is 50.1% in equities, 47.4% in fixed income and the balance 2.5% in cash.

Portfolio update:

Peak growth fears as well as rising Delta-related COVID-19 cases led to lower Treasury yields throughout the month of July 2021. J.P Morgan Asia Credit Index generated a total return of -0.42% for the month as credit risk premium rose. Investment grade (IG) credit outperformed High Yield (HY) as investors flock to safety. The Greater China complex accounted for the bulk of the underperformance as negative sentiment due to uncertainty with regard to Huarong and Evergrande spilled over to both China IG and HY. The market was also shaken by the regulatory bombshell thrown by Beijing when it put a ban on for-profit activities in its education sector.

As a result, July 2021 saw a significant repricing in the HY market with risk premium rising in a meaningful quantum. Valuation is currently looking much more interesting. However, we expect regulatory pressure to continue to be a headwind for Chinese HY property developers and developments surrounding Evergrande will continue to pose a potential contagion risk. We expect it to be trading market marked with volatility for the rest the year. We will look for opportunities to add risk but only very selectively.

August 2021

Market overview:

Asian markets ended flat for the month of August 2021 although the markets were initially sold down at the beginning of the month. Chinese regulatory curbs continue to haunt the market with increased controls from gaming, video sharing and terms of engagement for e-commerce companies. On the back of this, the new delta variant of COVID-19 had the Chinese government imposing stringent controls on travel, mass testing and quarantine. This resulted in a drop in business confidence and the manufacturing purchasing manager's index (PMI) dropped to 50.1. However, company results remains strong and bellwether stocks reported mostly better than expected earnings and growth. We may see more cuts in the Reserve Requirements Ratio to support the economy. In other parts of Asia, Singapore is now opening up again, which bodes well for the economy.

Dual hindrance in China marked August 2021 performance as the country grapples with increased regulations and trying to have a zero tolerance to COVID-19. While the rest of the developed world have been opening up despite record cases, China has gone to stringent controls on travel, mass testing and quarantine. After one case of COVID-19 was discovered in one of China busiest port, the authority quickly shut Services at a terminal at Ningbo-Zhoushan. A worker was infected with the Delta variant of COVID-19. The port is the world's third busiest. The shutdown will threaten further the fragile supply chain that was already strained. Christmas shoppers may not get their items in time.

As a result there has been a marked slowdown in China economic activities. Exports have slowed, so has retail sales and industrial production. The government is now looking at targeted ways to improve the economy. Reserve requirements Ratio is one way but also fiscal policy that can help aid smaller firms overcome the short term difficulties. On the other hand, we have had good results from companies that were even under the government regulatory sights. Food delivery company Meituan's second quarter earnings beat estimates with a solid result while embracing regulations. JD.com also had a good beat with quite an optimistic outlook.

Taiwan economic report card is better. Exports remain robust increasing 34% year on year for the month of July 2021 while imports continue to be strong as well at 41% year on year growth signalling domestic consumption recovery is continuing. Taiwan remains a beneficiary of supply shortages of semiconductors. South Korea's export has slowed down although still high at 29.6% year on year for July 2021 although a pick up is expected for the month of August 2021.

In the Fund, we continue to be overweight Singapore, and also invested into policy friendly companies in the alternative energy and electric vehicle (EV) space. We are not reducing our China big Tech space, valuations are now appealing and some are looking interesting again. We are also underweight Emerging Asia as it struggles to contain COVID-19. We are constructive of the changes China is making. The short-term pain should reap longer term social cohesion that will allow China to continue growing.

Portfolio asset allocation:

The Fund allocation is 49.6% in equities, 47.7% in fixed income and the balance 2.7% in cash.

Portfolio update:

The main event in August 2021 for markets was Jackson Hole when the US Federal Chairman sent a message to delink the timing of rate hikes from asset purchase tapering – a message that helped to boost market sentiment. August 2021 also saw the Chinese government led bailout of Huarong which boosted risk sentiment and led to a 'risk on' rally. Spreads tightened while treasury yields were higher. Investment grade spreads tightened by 16 basis points (bps) while high yield (HY) spreads tightened by 55bps. J.P. Morgan Asia Credit Index (JACI) generated a total return of 1.08% in August 2021 with China, Indonesia and Sri Lanka outperforming.

While the bailout of Huarong led to a rebound in Asian Credit, Evergrande remains the elephant in the room for Asia High Yield. So far, the negative sentiment from Evergrande does not seem to have spilled over to other non-property segments but it remains uncertain how Chinese authorities will handle the situation. Markets are certainly not optimistic on Evergrande escaping this episode unscathed as its bonds continued to make new lows. At the same time, credit premium for the HY sector has decompressed significantly in the last couple of months and valuation have reached attractive levels. But without a resolution in the Evergrande saga, the primary issuance pipeline for Chinese developers will likely remain closed. The Fund will stay cautious.

September 2021

Market overview:

Asian Markets took a tumble in the month of September 2021, led mostly by the Chinese markets. MSCI Asia Ex Japan was down 4.08% for the month of September 2021 and down 11.90% for the quarter. Property stocks weakened with the contagion fear of potential default by Evergrande spreading to the sector. Energy rationing was next on the cards, affecting manufacturing and the already stretched global supply chain. China's expected growth has been cut. This will take some time to unwind. China remains as one of the fastest growing country in the world. In other parts of Asia, Singapore has entered a pseudo lock down with working from home as default as the country's COVID-19 cases climb. Still, Asia offers one of the best exposures to growth and now at a more reasonable price.

The disruption to the global supply chain is certainly one of the biggest concerns to global growth and its effect on expected recovery. China's latest energy crisis and rationing of electricity usage, in the name of cutting emissions, has led to production slippage. The disruption comes as China grapples with soaring raw material costs and long delays in ports as the country fights COVID-19 with a zero-tolerance stance. With energy cuts, many manufacturers of toys, garments, shoes, electronics, and others are struggling to meet demand. It is likely there will be delays in deliveries this year for certain products. China's target of cutting coal and meeting emission standards have meant supply of electricity has not met the surge in demand for energy as the world recovers from the pandemic. The adjustments will take time. Overall, China's growth will be adjusted down, but it remains as one of the fastest growing economy in the world.

Risk assets were hit in September 2021 as the Federal Reserve was more hawkish than expected, with participants signaling that tapering was imminent and that in 2024 there could be up to three rate hikes. This came on the back of already jittery sentiment as a result of China Evergrande's liquidity problems and non-payment of interest due. Towards the end of the month, markets also started to worry about possible stagflation risks as energy prices in Europe shot up and China experienced intermittent power failures.

JACI generated a total return of -1.63% in September 2021. Index spreads widened while treasury yields were higher. Investment Grade spreads tightened by 5 basis points (bps) while High Yield (HY) spreads widened by 49bps. The Greater China complex accounted for the bulk of the underperformance as negative sentiment from Evergrande continued to impact HY, especially Chinese Property HY. Macau gambling credits were also hit hard as China hinted at new regulations on the gambling sector in Macau.

While Evergrande's debt issues will take a while to be resolved, we think the market is in the process of stabilizing as there are signs participants are starting to 'bottom fish' in anticipation of the Chinese government enacting some property loosening measures to address falling growth rates.

Portfolio asset allocation:

The Fund allocation is 48.5% in equities, 45.1% in fixed income and the balance 6.5% in cash.

Portfolio update:

China has a long-term goal of achieving carbon neutral status. In the Fund, we have been investing into alternative energy, having taken positions early in the year. Solar, Wind and Electric vehicles have taken center stage of our investments in China, as we move into companies that sit in the tail wind of the government's policies. On the e-commerce platform, we have also invested outside of China and thus away from Chinese regulations. We are also slightly underweight in Chinese Equities and Chinese big technology names. We are overweight Singapore. We remain invested into both Taiwan and South Korea which has weathered the selloff better.

We do have exposure in the real estate. These were the most affected as the spillover effect from the Evergrande issues. To be fair, we only have two Chinese developers that have better and stronger balance sheets. The vast majority of our real estate exposure is in Singapore, Real Estate Investment Trusts making up the majority of the Fund's exposure. These will give decent yields and should weather the volatility better.

While the volatility has caused risk appetite to drop tremendously for the region, we still think it offers the growth that will not be seen in the other parts of the world. China will refocus on domestic consumption as it moves to be less reliant on exports. This will again benefit the big technology names. Asia is also a region that the governments have the ability to re-start any fiscal or monetary policy to support any drop in economic activities. As such, we remain constructive and we think the Fund is well placed for any recovery in the future.

The Fund maintains exposure to Chinese High yield but we have been positioned defensively. We have avoided names like Evergrande and Fantasia which elected to default on its USD bond in early October 2021. The current selling in Chinese property developers reflect less of fundamentals but more a function of technical market factors. At this point, bond prices are already reflecting wide-scale restructuring within the sector which we feel is overdone. The high yield property names within the portfolio have either pre-funded or taken the opportunity to buy back their own bonds at current steep discounts. We will continue to monitor the situation closely and take action where necessary.

Fund Returns

	Total Returns					
	Class MYR		Class MYR BOS		Class USD BOS	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
1.1.2021 To 31.3.2021	2.59%	3.35%	0.26%	3.35%	-0.41%	0.26%
1.4.2021 To 30.6.2021	1.07%	1.87%	-0.16%	1.87%	1.03%	1.74%
1.7.2021 To 30.9.2021	-5.22%	-4.34%	-5.77%	-4.34%	-5.98%	-5.14%
1 Year's Period (1.10.2020 To 30.9.2021)	4.48%	7.89%	3.46%	7.89%	4.09%	7.10%
3 Years' Period (1.10.2018 To 30.9.2021)	13.71%	21.88%	-	-	-	-
Financial Year-To-Date (1.1.2021 To 30.9.2021)	-1.72%	0.71%	-5.68%	0.71%	-5.40%	-3.24%
Since Investing Date To 30.9.2021	14.42%	26.51%	11.41%	16.20%	29.15%	15.63%

Note:

- BOSWM Asian Income Fund Class MYR – Launch/investing date: 12.1.2017
- BOSWM Asian Income Fund Class MYR BOS – Launch/investing date: 12.9.2019
- BOSWM Asian Income Fund Class USD BOS – Launch/investing date: 12.9.2019

Source: Lipper, Bloomberg

Asset Allocation

As At 30 September 2021

Collective Investment Scheme: Lion Capital Funds II – Lion-Bank of Singapore Asian Income Fund USD Class C	99.53%
Cash And Liquid Assets	0.47%
	<u>100.00%</u>

Income Distribution

	Class MYR	Class MYR BOS	Class USD BOS
Gross distribution per unit	-	2.10 sen (29.1.2021: - 30.4.2021: 1.00 sen 30.8.2021: 1.10 sen)	-
Net distribution per unit	-	2.10 sen (29.1.2021: - 30.4.2021: 1.00 sen 30.8.2021: 1.10 sen)	-

NAV per unit

(as at 30 September 2021)

Class MYR	RM1.0685
Class MYR BOS	RM1.0941
Class USD BOS	USD1.2915

UNAUDITED STATEMENT OF FINANCIAL POSITION
As At 30 September 2021

	30.9.2021
	RM
Assets	
Investments	20,428,557
Interest receivable	10
Other receivables	41,704
Cash and cash equivalents	247,893
Total Assets	<u>20,718,164</u>
Liabilities	
Amount due to Manager	22,179
Financial derivatives	157,937
Other payables	13,394
Total Liabilities	<u>193,510</u>
Net Asset Value Of The Fund	<u>20,524,654</u>
Equity	
Unitholders' capital	21,346,982
Accumulated losses	(822,328)
Net Asset Value Attributable To Unitholders	<u>20,524,654</u>
Total Equity And Liabilities	<u>20,718,164</u>

UNAUDITED STATEMENT OF FINANCIAL POSITION (continuation)
As At 30 September 2021

	30.9.2021
	RM
Net Asset Value Attributable To Unitholders	
- Class MYR	4,618,303
- Class MYR BOS	15,900,946
- Class USD BOS	5,405
	<u>20,524,654</u>
Number Of Units In Circulation (Units)	
- Class MYR	4,322,232
- Class MYR BOS	<u>14,534,513</u>
- Class USD BOS	<u>1,000</u>
Net Asset Value Per Unit (MYR)	
- Class MYR	1.0685
- Class MYR BOS	<u>1.0941</u>
- Class USD BOS	<u>5.4053</u>
Net Asset Value Per Unit In Respective Currencies	
- Class MYR	<u>RM1.0685</u>
- Class MYR BOS	<u>RM1.0941</u>
- Class USD BOS	<u>USD1.2915</u>

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
For The Financial Period From 1 January 2021 To 30 September 2021

	1.1.2021 to 30.9.2021 RM
Investment Loss	
Gross dividends from financial assets at fair value through profit or loss	270,632
Interest income	2,563
Net loss on investments	
- Financial assets at fair value through profit or loss	87,386
- Foreign exchange	(240,544)
- Financial derivatives	835
Net unrealised loss on changes in value of financial assets at fair value through profit or loss	(974,607)
	<u>(853,735)</u>
Expenses	
Audit fee	5,760
Tax agent's fee	1,870
Manager's fee	51,457
Trustee's fee	3,416
Administration expenses	25,917
	<u>88,420</u>
Net Loss Before Taxation	(942,155)
Taxation	-
Net Loss After Taxation	<u>(942,155)</u>
Total Comprehensive Loss	<u>(942,155)</u>
Total Comprehensive Loss	
Is Made Up As Follows:	
Realised income	32,452
Unrealised loss	(974,607)
	<u>(942,155)</u>

BOS WEALTH MANAGEMENT MALAYSIA BERHAD 199501006861 (336059-U)
A subsidiary of Bank of Singapore

1001, Level 10, Uptown 1,
No. 1 Jalan SS21/58, Damansara Uptown,
47400 Petaling Jaya, Selangor
Tel: 03-7712 3000 Fax: 03-7712 3001
customer@boswm.com
www.boswealthmanagement.com.my

INSTITUTIONAL UNIT TRUST ADVISER

OCBC Bank (Malaysia) Berhad 199401009721 (295400-W) Tel: 1300 88 7000

Our IUTA may not carry the complete set of our Funds. Investments made via our IUTA may be subject to different terms and conditions.

IMPORTANT NOTICES

Beware of phishing scams

Kindly be alert of any email or SMS that requires you to provide your personal information and/or to login to your account via an unsolicited link. Do not click on email links or URLs without verifying the sender of the email. Please ensure the actual internet address is displayed i.e. www.boswealthmanagement.com.my

If you suspect your account may be compromised and/or would like to seek clarification, please contact us as above.

Update of particulars

Investors are advised to furnish us with updated personal details on a timely basis. You may do so by downloading and completing the Update of Particulars Form available at www.boswealthmanagement.com.my, and e-mail to customer@boswm.com. Alternatively, you may call us as above.